

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Cross Heading: The Taxes Act 1988. (See end of Document for details)

SCHEDULES

SCHEDULE 25

LOAN RELATIONSHIPS

PART 2

AMENDMENTS OF OTHER ENACTMENTS

The Taxes Act 1988

Introductory

43 The Taxes Act 1988 is amended as follows.

Incidental costs of obtaining loan finance

44 In section 77(2)(a) (meaning of “qualifying loan” etc) omit sub-paragraph (ii) (interest deductible under section 338 against total profits).

Group relief

45 In section 403ZC (amounts eligible for group relief: non-trading deficit on loan relationships) omit subsection (2) (which refers to a claim under section 83(2) of the Finance Act 1996 (c. 8)).

^{F1}46

Textual Amendments

F1 Sch. 25 para. 46 repealed (with effect in accordance with Sch. 43 Pt. 3(12) Note 1 of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 43 Pt. 3\(12\)](#)

Building society shares: regulations for deduction of tax

^{F2}47

Textual Amendments

F2 [Sch. 25 para. 47](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

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Building society shares: incidental costs of issuing qualifying shares

^{F3}48

Textual Amendments

F3 Sch. 25 para. 48 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

European Economic Interest Groupings

- 49 (1) Section 510A is amended as follows.
- (2) In paragraph (b) of subsection (3) (charging tax in respect of gains) for “gains” substitute “chargeable gains”.
- (3) After that paragraph add
- “;but paragraph (a) above is subject to subsection (6A) below.”.
- (4) After subsection (6) (trade or profession carried on by grouping treated for tax on income and gains as carried on by a partnership) insert—
- “(6A) Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships) shall have effect in relation to a grouping as it has effect in relation to a partnership (see in particular section 87A of, and paragraphs 19 and 20 of Schedule 9 to, that Act).”.

Funding bonds issued in respect of interest on certain debts

^{F4}50

Textual Amendments

F4 Sch. 25 para. 50 repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Transfers of income arising from securities

^{F5}51

Textual Amendments

F5 Sch. 25 para. 51 repealed (with effect in accordance with Sch. 11 Pt. 2(8) Note of the amending Act) by Finance (No. 2) Act 2005 (c. 22), **Sch. 11 Pt. 2(8)**

Treatment of price differential on sale and repurchase of securities

^{F6}52

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Textual Amendments

F6 Sch. 25 para. 52 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(14)**

Restriction of relief for payments of interest

F753

Textual Amendments

F7 [Sch. 25 para. 53](#) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

Limits on credit: corporation tax

54 In section 797, in subsection (3B) (amounts that must be allocated to trading profits) in paragraph (b) (claims under section 83(2)(d) of the Finance Act 1996) for “a claim under subsection (2)(d) of” substitute “ subsection (3A) of”.

Foreign tax on items giving rise to a non-trading credit

- 55 (1) Section 797A is amended as follows.
- (2) In subsection (5) (which specifies certain amounts under section 83 of the Finance Act 1996 (c. 8) which are to be aggregated for the purposes of subsection (4))—
- (a) in paragraph (a)—
 - (i) for “(2)(b), (c) or (d)” substitute “ (2)(c) ”; and
 - (ii) for the words from “(group relief” to “deficits)” substitute “ (deficit carried back and set against profits) ”;
 - (b) after paragraph (a) insert—
 - “(aa) so much of any non-trading deficit for that period as is surrendered as group relief by virtue of section 403 of the Taxes Act 1988; and”;
- and
- (c) in paragraph (b), for “(3)” substitute “ (3A) ”.
- (3) In subsection (6), for “in pursuance of a claim under section 83(2)(d)” substitute “ under section 83(3A) ”.

Investment trusts

- 56 (1) Section 842 is amended as follows.
- (2) In paragraph (a) of subsection (1) (income must be wholly or mainly eligible investment income)—
- (a) after “the company’s income” insert “ (as determined in accordance with subsection (1AB) below) ”; and
 - (b) after “eligible investment income” insert “ (as so determined) ”.

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- (3) In paragraph (e) of subsection (1) (company must not retain more than 15% of eligible investment income)—
- (a) for “more than” substitute “ an amount which is greater than ”; and
 - (b) after “eligible investment income” insert “ (determined in accordance with subsection (1AB) below) ”.
- (4) After subsection (1AA) insert—
- “(1AB) In determining for the purposes of paragraph (a) or (e) of subsection (1) above (and accordingly of subsection (2A)(b) below)—
- (a) the amount of a company’s income, or
 - (b) the amount of income which a company derives from shares or securities,
- the amounts to be brought into account under Chapter 2 of Part 4 of the Finance Act 1996 in respect of the company’s loan relationships shall be determined without reference to any debtor relationships of the company.”.

Venture capital trusts

^{F8}57

Textual Amendments

F8 Sch. 25 para. 57 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 421](#), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

Change in ownership of investment company

- 58 (1) Schedule 28A is amended as follows.
- (2) In paragraph 6(dc) (amounts in issue for the purposes of section 768B: non-trading deficit carried forward under section 83(3) of the Finance Act 1996 (c. 8)) for “83(3)” substitute “ 83(3A) ”.
 - (3) In paragraph 7(1)(d) (apportionment for section 768B in case of debits falling to be brought into account otherwise than on the assumption that interest does not accrue until paid) omit “and” immediately preceding sub-paragraph (iii) and at the end of that sub-paragraph insert “, and
 - (iv) so falls to be brought into account without any adjustment under paragraph 17 or 18 of that Schedule (debit relating to amount of discount referable to the relevant accounting period to be brought into account instead for the accounting period in which the security is redeemed),”.
 - (4) In paragraph 7(1)(e) (apportionment for section 768B in case of debits falling to be brought into account on the assumption that interest does not accrue until paid) omit “and” immediately preceding sub-paragraph (iii) and at the end of that sub-paragraph insert “, and
 - (iv) so falls to be brought into account with such an adjustment as is mentioned in paragraph (d)(iv) above,”.

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- (5) Omit paragraph 7(2) (which relates to charges consisting of interest and which accordingly has no further application).
- (6) In paragraph 11(1) (debits that fall within paragraph 11)—
 - ^{F9}(a)
 - (b) in paragraph (c) (accounting period in which the debit would have been brought into account, apart from the sub-paragraph mentioned in paragraph (b)) for “apart from that sub-paragraph” substitute “ apart from paragraphs 2(2), 17 and 18 of that Schedule, ”.
- (7) In paragraph 13(1)(ec) (amounts in issue for the purposes of section 768C: non-trading deficit carried forward under section 83(3) of the Finance Act 1996 (c. 8)) for “83(3)” substitute “ 83(3A) ”.
- (8) In paragraph 16(1)(d) (manner of apportionment in case of debits falling to be brought into account otherwise than on the assumption that interest does not accrue until paid) omit “and” immediately preceding sub-paragraph (iii) and at the end of that sub-paragraph insert “, and
 - (iv) so falls to be brought into account without any adjustment under paragraph 17 or 18 of that Schedule (debit relating to amount of discount referable to the relevant accounting period to be brought into account instead for the accounting period in which the security is redeemed),”.
- ^{F10}(9)
- (10) Omit paragraph 16(2) (which relates to charges consisting of interest and which accordingly has no further application).

Textual Amendments

- F9** Sch. 25 para. 58(6)(a) repealed (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\), art. 1\(2\), Sch. para. 66\(2\)](#)
- F10** Sch. 25 para. 58(9) repealed (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\), art. 1\(2\), Sch. para. 66\(3\)](#)

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